

The Washington Post \_\_\_\_\_  
The New York Times \_\_\_\_\_  
The Washington Times \_\_\_\_\_  
The Wall Street Journal \_\_\_\_\_  
The Christian Science Monitor \_\_\_\_\_  
New York Daily News \_\_\_\_\_  
USA Today \_\_\_\_\_  
The Chicago Tribune \_\_\_\_\_  
**DEFENSE NEWS**  
Date 24 JUNE 1991



## John McMahon

### *President, Lockheed Missiles & Space Co.*

*With a diverse base of military and civilian defense and space programs, Lockheed Missiles & Space Co. provides about half of Lockheed Corp.'s annual revenue.*

*John McMahon, Lockheed Missiles & Space Co. president, expects that trend to continue.*

*While Lockheed Missiles & Space may experience a slight decline in 1991 revenues because of delays in some military programs, McMahon says overall earnings will slightly outpace inflation during the next few years.*

*McMahon joined Lockheed in 1986 after 35 years with the Central Intelligence Agency, where he rose to the rank of deputy director. In August 1988, he became the president of Lockheed Missiles & Space Co. and Lockheed Missiles and Space Systems Group, which oversees Lockheed's recently acquired Integrated Solutions Co., a computer integrations firm in Santa Clara, Calif.*

*McMahon met recently with Defense News Executive Editor Richard Barnard and West Coast reporter Debra Polsky in McMahon's Sunnyvale, Calif., office.*

**CONTINUED**

**Q.** You have been providing 48 to 50 percent of the revenue for Lockheed Corp. Will that continue?

**A.** I think we will maintain the 48 to 50 percent share of sales for Lockheed Corp. I hope the aircraft side of the house will improve some. We look toward holding our own in this time period.

I may take a slight hit in 1991. But basically it will turn around and start growing again. We should be a little better than inflation over the next four years beyond that. A great deal is contingent on the Defense Department [budget]. We have such a diverse base, a stable base that we will hold the edge that we have.

**Q.** Why do you anticipate a slight decline in 1991 revenues?

**A.** That is a gut feeling. It looks like some of the programs that we were counting on are being stretched out . . . One for instance is the Advanced Warning System. For the past 47 months we were in a competition with Grumman . . . with the hope and promise that selection would be made in 1990 for [full-scale engineering development]. That has now been delayed. We are proposing again for an 18-month demonstration and validation program which will probably begin around September 1991 and selection made around February 1993.

**Q.** What is the outlook for your fleet ballistic missile program?

**A.** We see nothing in the fleet ballistic missile program that will have an impact on us until maybe five years from now. A lot depends on what the Navy decides to do with the Trident 1 missiles that are currently in Trident 2 submarines. [The Navy may] replace them with new [missiles].

That decision . . . probably will not occur until the 1996-1997 time frame. I am content that the D-5 will be the last program on any negotiating table because it is a great deterrent.

**Q.** What is your estimation of the trend in defense spending?

**A.** I think defense spending will be more or less level over the next five years. Level can mean that inflation will eat into it. But I think you will see a \$300 billion defense program plus or minus a few billion dollars over the next five years.

The Persian Gulf war has certainly stimulated everybody's allegiance to . . . smart weapons and we have to be prepared for some form of missile defense.

**Q.** Last year, the Military Strategic and Tactical Relay (MILSTAR) program, an effort to develop jam-resistant communications, had trouble winning congressional approval. How do you view the future of the program?

**A.** The MILSTAR program is probably in better shape today than it has ever been. We are working hard to deliver the first spacecraft in June of 1992.

Right now it is undergoing its integration test and doing very well. The program enjoys a stability that it has not had in years. We have been able to control costs very well over the past year and a half . . . We still have to perform on it, but the overall thrashing has settled down.

**Q.** Can you make a profit on MILSTAR?

**A.** Yes. We will make a profit on MILSTAR. It is not going to be quite the profit I would like to have. We have lost a great deal of our incentives due to [cost] overruns in times past. But if we hold our own, we will make a profit.

It will certainly not be at the level of margin that [Lockheed Missiles & Space Co.] is accustomed to.

**Q.** What opportunities do you see in the European market?

**A.** We are putting our toe in the water there. I positioned a man in Brussels primarily to use the infrastructure of NATO . . . to get out into the various countries, but also on his own to see what business is available for us . . . I view this as a two-year venture to test the waters in Europe.

We are doing some work on mine/countermine programs with [Messerschmitt-Boelkow-Blohm] in Germany.

**Q.** What prompted you to take this step?

**A.** Several factors. The U.S. predominance in Europe is going to be diminishing. The other [factor] was that the Europeans were developing technology that they could export. I found in a number of my discussions that the Europeans are happy to talk to American firms, not necessarily to sell in Europe, but to sell in our back yard. The only way I think an American can do business there is through and with a European firm.

**CONTINUED**

**Q. Would you describe Lockheed's effort to draw together its antisubmarine warfare work?**

**A.** If you look at Lockheed Corp., we have many companies that have capabilities in the [antisubmarine warfare] world. Rather than try to pick a predominant company to take the lead, [Lockheed Chairman] Dan Tellep decided he would let each company play to its own strength. That work is coordinated by an executive committee . . . Each company has a senior official on it.

Through the committee, we make sure that everyone knows not only the [antisubmarine warfare] capability of each company but what we are doing in the [antisubmarine warfare] world so that it is fairly well coordinated . . . We offer the customer a consolidated approach.

Eventually the Navy will begin to focus on its principle approach to [antisubmarine warfare] and I want to . . . have done enough homework to be a major player in that.

**Q. What is the outlook for your attempts to convince the government to turn over C-3 Poseidon missiles to launch small satellites?**

**A.** There are still some decisions that have to come out of the [White House] Space Council on the use of government assets. It brings a tear to my eye to see us burn up the old Polaris now. The world is crying for new launch vehicles and we are setting a fuze to them . . . I would think the U.S. policy would find some way of permitting the assets available in the fleet ballistic missile program and our [intercontinental ballistic missile program] to launch small payloads. They are there. Why burn them up?